



Large acquisition of rights on forest lands for tropical timber concessions and commercial wood plantations



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Executive summary

The recent attention given to the growing large-scale acquisition or leasing of public and private lands by commercial investors fails to pay attention to the extensive practice of and current trends in the leasing of industrial-scale forest concessions in forest lands claimed by the state. There are important lessons to be learned from assessment of these concessions, as well as important linkages between these and the acquisition or leasing of lands for commercial agriculture, wood, and energy plantations.

1. Allocations of forest land to industrial-scale timber concessions and plantations are relatively stable or declining, but are still orders of magnitude larger in the most forested developing countries than community ownership or administration of forest lands.
2. Despite an increase in independent certification and country reforms, there is a gap between mandated social and environmental standards and current practice. Many concession areas planned for long-term sustainable logging rotations continue to be converted or reassigned for commercial plantations as degraded lands.
3. While negative impacts on local tenure, livelihoods, and income are greater in areas acquired for non-forestry use, developing countries continue to fail to support community and smallholder forest management and enterprises that generate more jobs and a much wider range of benefits to local and regional economies, along with conservation values.

4. Policy-makers require a better understanding of the economic, social, environmental, and poverty impacts of large- and small-scale forest land use options. They must support those forest land policies that respect tenure and rights, and comply with desired minimum standards, rather than substituting one form of unsustainable forest land use for another.

Context and scope of the problem

Industrial-scale forest concessions continue to be a predominant tenure arrangement in the world's forest lands. Industrial concessions in the 15 heavily forested developing countries studied for this report are four times as large as forest land recognized as community-owned or administered – and 46 times larger in the Congo Basin countries. This is despite the fact that the customary and traditional rights of communities have been recognized in many forest lands in national and international law, particularly in Latin America and parts of South and East Asia. The absolute area of public forest land administered by government in 30 tropical forest countries, comprising 90% of the world's forest lands, has decreased from 1.286 billion hectares in 2002 to 1.094 billion hectares in 2008 (a decrease of 15%).

Table 1: Forest concessions in nine selected tropical producer countries (updated from Sunderlin, Hatcher, and Liddle's 2008 report by RRI with new country data)

Country ¹	Forest lands under concession (million hectares)	Total of forest lands designated for and owned by communities and indigenous peoples (million hectares)	Comments
DRC	22.91 (timber) ² 6.90 (diamond) ³ 3.70 (mining) ⁴ Total: 33.51	0.00	Timber concessions allocated to companies from Liechtenstein, Portugal, Switzerland, Lebanon, Belgium, Italy, China, and India
CAR	3.40 (timber) ⁵ 1.97 (diamonds) ⁶ Total: 5.37	0.00	Timber concessions allocated to companies from China, Lebanon, France, and Malaysia
Congo	7.36 (timber) ⁷ 1.28 (copper and diamond) ⁸ Total: 8.64	0.46	Timber concessions allocated to companies from Germany, Denmark, China, Italy, and Lebanon
Gabon	6.98 (timber) ⁹ 9.90 (diamonds) ¹⁰ 0.23 (gold) ¹¹ 1.81 (oil and gas) ¹² Total: 18.92	0.00	Timber concessions allocated to companies from France, Switzerland, Malaysia, China, Portugal, Italy, and Denmark. ¹³ Most oil and gas is offshore
Cameroon ¹⁴	4.95 (allocated timber) 1.15 (unallocated timber) 0.30 (gold) ¹⁵ Total: 7.26	1.14	Timber concessions allocated to companies from China, France, Italy, Lebanon, and the Netherlands
Indonesia	32.7 (allocated timber) ¹⁶ 37.78 (unallocated) ¹⁷ 32.77 (onshore oil) ¹⁸ Total: 102.62	0.23 (CFM/plantation planned 2010 = 11.3)	Concession blocks average 85,000 ha, although in Papua the average is 200,000 ha
Cambodia	Economic Land Concessions (timber) (0.89) ¹⁹ Pre-moratorium concessions (3.3) ²⁰ Total: 4.19	0.18	3.3 million ha of forest land are from pre-moratorium concessions, the majority of which should be cancelled eventually due to agreement violations
Malaysia	Total allowed logging area: 0.51 ²¹	Total reported logging area: 1.00	May not reflect area officially under concession
Peru	7.4 (allocated timber) ²² 10 (unallocated timber) ²³ 56.13 (onshore oil exploration) ²⁴ Total timber: 17.4 Total: 73.53	21.2	17.2% of the Amazon has been legalized for indigenous peoples and 9.9% of the Amazon is pending legalization. Oil exploration overlaps with other concession and community areas
Total	Total timber: 139.32 Total forest: 258.74	23.21	

See endnotes for source citations.

There has been a slight increase in the area of forests which are sustainably managed in developing countries that are net timber exporters, according to independent certification standards (from 6.4 million hectares in 2002 to 16.3 million hectares in 2007), but these countries' share of the world's certified forests is actually less (5% in 2006 compared with 7% in 2002). In addition, many forest lands under concession continue to be unsustainably managed and fail to comply with agreed social and environmental rules in the legal contracts.

Formal forestry concessions may be as great a contributor to degradation and deforestation as completely unallocated, open access forests (Merry et al. 2003). There is a significant conversion in forest land that has been allocated to long-term concession management – through overharvesting or combined with other deforestation drivers to degrade forests that are reallocated by governments to large investments in agricultural, commercial wood, or biofuel plantations. Particularly in South East Asia and the Pacific, significant areas of logged-over natural forest have been reallocated by governments for commercial wood plantations or other uses. These may operate as shadow logging operations where only a portion of the land is ever planted and another large area is converted to agricultural or other uses, before completing the planned second or third industrial harvest cycles.

Despite an evident and major gap between anticipated returns of revenue and employment, economic growth, and poverty reduction, policy-makers in developing forested countries have favored continued allocation of forest land to concessions. This is despite the increasing predominance of small-scale forest enterprises in developing country forest economies, and despite the existing evidence of major contributions from community and smallholder-managed alternatives and their synergies with smallholder agriculture, fuelwood production, and other livelihood activities.

Where governments *have* responded to local demand and policy reform movements to recognize community and

Market supply and demand, particularly domestic and regional trade, have shifted dramatically with demographic shifts and globalization, favoring smaller producers and limited processing investment

smallholder tenure and rights, vibrant forest-based enterprises have emerged with multiple returns to local economies, cultural well-being, forest conservation, poverty reduction, and local livelihoods – small and medium forest enterprises are now the dominant model in developed countries.

Market supply and demand are also changing with economic and demographic shifts and globalization, creating new

opportunities to supply domestic and regional markets with a wider variety of locally produced wood and non-wood-based products, while increasing the competitiveness

of large-scale producers of pulp, paper, and industrial sawnwood.

Africa is undergoing a shift in concession management from European to Asian and Middle Eastern investors, bringing into question the long-term status of forest lands that were certified by previous concessionaires. While the region has introduced important reforms and has promoted higher-value processing, the growth in export demand is for minimally processed timber to Asian markets. In the case of Africa, the burgeoning demand in domestic and regional markets is being supplied almost exclusively from informal – technically illegal – operations, which form the bulk of employment and total revenues. A significant shift has taken place in the DRC, where reforms to implement the forest law have led to cancellation of concessions for more than 14 million hectares and have led to the drafting of regulations recognizing community rights in the forest.

In Peru, despite extensive forest lands reserved for indigenous peoples or titled to native communities, concessions overlap with hundreds of reserves or titles belonging to indigenous peoples, and social contracts are seldom implemented as negotiated

Forest land concessions in South East Asia

In Indonesia, there are 248 active concession units on 24.8 million hectares of forest land and reportedly 16.4 million hectares of "open access" forest in former concession areas where illegal logging is rampant. Indonesia has announced a dramatic change in policy to allocate more lands to community forests and community plantations, but this has had very limited implementation so far. From 1997 to 2007, palm oil plantation coverage has doubled.

Data from Sabah and Sarawak, the main timber concession provinces in Malaysia, show a similar relationship between forest degradation and commercial plantations. Timber revenues are in steady decline while palm oil revenues are on the rise. Between 1990 and 2008, Sarawak lost close to 1 million hectares of permanent forest reserve, with only 4.6 million hectares remaining.

In Cambodia, 3.3 million hectares of non-compliant concessions have been cancelled, but alternative arrangements have been slow to be implemented, with high levels of discretion on the part of national and local authorities. In Laos, timber production is controlled by corporations linked to the military, with logging carried out mainly by Vietnamese contractors.

Comparatively, the social and environmental impacts of timber plantations and commercial agriculture on forest lands have been more worrying than those of timber concessions. A number of economically viable options to use these areas are available, most importantly the use of payments for environmental services and REDD (United Nations Collaborative Program on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries) to improve incentives for establishing oil palm plantations on degraded land rather than on forest land. Applying these mechanisms successfully, however, requires that the rights of existing occupants on degraded lands are identified and compensated.

Problems and contradictions with existing forest and industry policies

The extent of industrial-scale concessions must be viewed in light of the multiple demands on forests. Demands on forest lands are growing at an unprecedented pace and include agro-industrial and silvicultural plantations, pasture lands, natural forest concessions, mines, and, in some places, carbon. More of the goods and services generated by forests are being commoditized – through the creation of payment for environmental services markets for water, carbon, biodiversity, and recreational or cultural values. More forests are being set aside for conservation, with or without attention to human and property rights. With population growth and migration, including displacement of populations in response to climate change or violent conflict, more forest lands are being colonized as part of agrarian reforms and spontaneous occupations.

The first glaring finding is the lack of evidence that industrial-scale forest concessions are delivering a sustainable system of natural forest management in unlogged areas or permitting sustainability of the natural forest in logged-over areas. Nor is there evidence that, apart from a limited set of concessions that have been independently certified to FSC or equivalent standards, concession contracts are being implemented to meet social and environmental requirements – either to ensure local livelihoods and cultural values or to improve incomes. A contradictory impact of higher standard setting in national laws has been the favoring of larger-scale industrial concessions, since these large investors find it easier than small and national firms to comply with the levy of taxes and fees and meet the costs of application of social or environmental standards, including provision

of social goods and services, or can exert pressure on officials to have the requirements waived.

The second finding is the loss of forests resulting from the degradation or deforestation of logged-over areas through an often complex process of multiple drivers, and their conversion to other uses. Many of these uses are less equitable socially

and economically than the commercial timber model they replace, and environmentally undesirable.

Because data and statistics on small-scale timber and non-timber forest production and market revenues are not easily found, policy analyses fall into the trap of using limited economic models for comparing the alternatives, missing the multiple returns of small-scale and community-scale forest production systems and the synergies for social and cultural well-being and growth of local economies. Policy-makers seeking to introduce new support models face serious challenges from political and private sector elites who benefit from the status quo.

A sub-set of tropical countries that have replaced the allocation of forests to industrial concessions with recognition of the rights of indigenous or traditional forest communities to manage (and in some instances, own) the forest lands show positive examples of community management conserving forests in tandem with local livelihoods and income-generating activities, in multiple cases producing more benefits to the economy and to the resource base. In general, interventions to recognize tenure and rights have moved slowly, and countries have retained outdated policies and regulatory frameworks, based on public land management models that seriously disfavor community and smallholder enterprises and inhibit their growth.

Policy recommendations

Governments and donors need to move beyond existing understanding of the status of the forest lands claimed in the public domain or administered by communities. Demands for recognition of local rights are increasing, however, and there are a number of countries in the process of reform – though these reforms have not yet been agreed or implemented. Better data are needed on the potential returns from alternative systems of forest management and use, including the returns these alternative systems generate for multiple income and livelihood streams, services, and non-timber forest products. Equally important to ascertain are the returns these systems offer to women and marginal groups, and to health and social well-being. Better data are also needed on the actual returns from industrial timber concessions relative to their costs, and relative to alternative arrangements for employment and production and trade.

There is a danger that REDD+ will prioritize investment in improving sustainable management by existing concessionaires in natural or planted forests, drawing upon seriously flawed data and focusing on forest lands that are seriously threatened by current practices and current pressures, while failing to preferentially invest in those growing numbers of forests where local communities and indigenous peoples have rights and a strong incentive to reduce degradation and deforestation.

There is a danger that REDD+ will prioritize investment in sustainable industrial concession management using flawed sustainability data while ignoring local communities

Demands on forests are growing at an unprecedented rate – at the same time that the lessons of history are poorly understood

Specifically, there is a need to:

- Analyze the data on the real contribution of predominant industrial-scale timber concessions to the national and local economy compared with alternative and more diversified blends of small, community, and large-scale enterprise, in light of growing domestic and regional opportunities;
- Respect, understand, and recognize underlying systems of customary tenure and rights to forest lands, and enable forest management and use by local communities and smallholders, including indigenous peoples;
- Recognize that canceling industrial timber concessions in situations of non-compliance should not be an automatic green light to reallocate these to commercial interests – local stewards can be more productive managers generating multiple benefits, including biodiversity and carbon; and
- Rethink the allocation of degraded forest lands that have been under industrial timber concession in the past to commercial plantations and, instead, look at the opportunities to raise farm productivity in existing cultivated areas and at the availability of degraded, non-forest land.

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